

Message Text

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12

ACTION EB-07

INFO OCT-01 AF-06 ISO-00 FEA-01 AGR-10 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 /101 W

----- 014290

R 081755Z AUG 75

FM AMCONSUL DOUALA

TO SECSTATE WASHDC 980

INFO: ZEN/AMEMBASSY YAOUNDE 1124

UNCLAS DOUALA 0247

E.O. 11652: N/A

TAGS: EFIN, EIND, EINV, EK

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596

1. TEXT OF INVESTMENT STATEMENT FOR EQUATORIAL GUINEA
(APPROVED BY EMBASSY YAOUNDE) READS AS FOLLOWS:

A. EQUATORIAL GUINEA, INDEPENDENT FROM SPAIN SINCE 1968,
IS ALMOST TOTALLY DEPENDENT ON COCOA, COFFEE AND TIMBER
EXPORTS FOR FOREIGN EXCHANGE EARNINGS. DEVOTED TO THE CAUSES
OF POLITICAL AND ECONOMIC INDEPENDENCE. THE GOVERNMENT
OF LIFE PRESIDENT FRANCISCO MACIAS NGUEMA BIYOGO HAS
PURSUED POLICIES WHICH HAVE GENERALLY CREATED LITTLE
CONFIDENCE AMONG POTENTIAL WESTERN PRIVATE FOREIGN
INVESTORS.

B. AFTER THE DEPARTURE OF NEARLY ALL RESIDENT FOREIGN
BUSINESSMEN IN THE MONTHS FOLLOWING INDEPENDENCE, AND
IN THE ALMOST TOTAL ABSENCE OF PRIVATE DOMESTIC ENTER-
PRENEURS, THE GOVERNMENT OF EQUATORIAL GUINEA (GOEG)
HAS BEEN SEARCHING FOR WASYS TO STIMULATE THE DEPRESSED ECONOMY.

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THE GOEG HAS BEEN SUCCESSFUL IN NEGOTIATING TRADING AND

TECHNICAL ASSISTANCE ARRANGEMENTS WITH CERTAIN OTHER GOVERNMENTS, NOTABLY THOSE OF THE SOVIET UNION THE PEOPLES REPUBLIC OF CHINA AND CUBA. THE ONLY SIGNIFICANT PRIVATE FOREIGN INVESTMENT SINCE INDEPENDENCE IS A SPANISH-FRENCH JOINT VENTURE IN TIMBER EXPORTS. WHILE PORT FACILITIES HAVE BEEN COSTRUCTED AT BATA. THE LACK OF SUPPORTING INFRASTRUCTURE INHIBITS DEVELOPMENT.

C. WHILE THE GOEG MAINTAINS THAT IT IS OPEN TO FOREIGN PRIVATE INVESTMENT, THE FOREIGN INVESTMENT LAW OF JANUARY 2, 1975 IS NOT LIKELY TO ENCOURAGE POTENTIAL INVESTORS. THE LAW APPLIES TO ALL INVESTMENTS EXCEPT EXTRACTIVE MINING ENTERPRISES, INCLUDING HYDROCARBONS. NATIONAL DEFENSE, PUBLIC INFORMATION, AND OTHER PUBLIC AND ESSENTIAL SERVICES. INVESTMENTS ARE CLASSIFIED BY CATAGORIES INTO THOSE OF NATIONAL INTEREST, PREFERENTIAL INTEREST (PRODUCTION OF CONSUMER GOODS), AND PROFITS. GENERALLY, FOREIGN PARTICIPATION MAY NOT EXCEED 50 PERCENT AND HALF OF ALL MANAGERIAL POSITIONS MUST BE FILLED BY EQUATORIAL GUINEAN CITIZENS. AFTER TWO YEARS OF OPERATION FOREIGN CAPITAL INVESTMENTS MAY BE REPATRIATED ANNUALLY IN AMOUNTS EQUAL TO OR LESS THAN AMORTIZED VALUE OF ASSETS OR BY CONVERSION OF THE SINKING FUND. HALF OF PROFITS MAY BE TRANSFERRED ABROAD, PROVIDED A REPATRIATION TAX OF FROM 20 PERCENT TO 35 PERCENT IS PAID AND 30 PERCENT OF THE PROFITS ARE REINVESTED. THE PRESIDENT IS EMPOWERED TO GRANT OR DENY ANY OF OF THE PROVISIONS OF THE LAW.

D. EQUATORIAL GUINEA IS NOT ASSOCIATED WITH ANY CUSTOMS OR TRADING BLOC. ITS CURRENCY IS SUPPORTED TO A DEGREE BY THE SPANISH PESETA. BUT CONVERTIBILITY IS GREATLY RESTRICTED.

E. AMERICAN BUSINESS VISITORS TO EQUATORIAL GUINEA, ALL ASSOCIATED WITH COMPANIES LOOKING FOR PETROLEUM CONCESSIONS, HAVE FOUND GOVERNMENT OFFICIALS RESPONSIVE. HOWEVER, NO RECENT AGREEMENTS HAVE BEEN SIGNED DUE TO THE LACK OF A PETROLEUM EXPLORATION LAW.

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2. NO STATISTICS ARE AVAILABLE ON DIRECT INVESTMENT. THERE IS NO KNOWN U.S. DIRECT INVESTMENT. SPAIN, FOLLOWED BY FRANC, ARE ESTIMATED TO BE THE TWO LARGEST FOREIGN INVESTORS. THERE IS NO KNOWN EQUATORIAL GUINEAN INVESTMENT IN THE UNITED STATES.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, TEXT, POLICIES, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975DOUALA00247
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750275-0778
From: DOUALA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750866/aaaacgic.tel
Line Count: 114
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 165596
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 14 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 FEB 2003 by ReddocGW>; APPROVED <09 FEB 2004 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREIGN INVESTMENT CLIMATE AND STATISTICS
TAGS: EFIN, EIND, EINV, EK, US
To: STATE YAOUNDE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006